

**PERSPECTIVES CORPORATION
REPORT ON CONTRACT COMPLIANCE
CALENDAR YEAR 1999**

**DEPARTMENT OF ADMINISTRATION
BUREAU OF AUDITS
ONE CAPITOL HILL
PROVIDENCE, RI 02908-5889**



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration
BUREAU OF AUDITS
One Capitol Hill
Providence, R.I. 02908-5889
TEL #: (401) 222-2768
FAX #: (401) 222-3973

Perspectives Corporation
REPORT ON CONTRACT COMPLIANCE
Calendar Years 1994 Through 1999

EXECUTIVE SUMMARY

All the recommendations from the prior audit reports for Perspectives Corporation issued on April 8, 1998 by the Bureau of Audits have been implemented.

Based on our contract compliance engagement for the calendar years 1994 through 1999, we determined the following:

1. The amount of \$10,323 should be recovered from the Provider by DHS in accordance with its current funding policy.
2. The amount of \$209,503 should be recovered from the Provider by MHRH as excess funding or reprogrammed by the Provider upon written agreement with MHRH in accordance with the applicable contract provisions and policy.
3. MHRH should require the provider to maintain resident's personal needs funds in accordance with RI/DHS regulations.
4. MHRH should work with the provider to ensure that all related party transactions are fully reported.
5. MHRH should consider revisions to the cost report format to increase the information reported by a provider in the area of organizational structure and any subsequent changes. This could include identifying the type of business entity and profit or not-for-profit status.

PERSPECTIVES CORPORATION
REPORT ON CONTRACT COMPLIANCE
CALENDAR YEAR 1999

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September 3, 2002

Ms. Jane A. Hayward, Director
Department of Human Services
600 New London Avenue
Cranston, RI 02920

Dear Ms. Hayward:

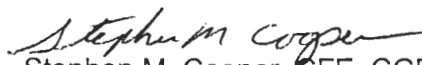
We have examined the cost report submitted by Perspectives Corporation for the calendar year 1999. We audited the most current year and reviewed the cost reports for 1994 through 1998 to settle those years for the following Department of Human Services Funded Intermediate Care Facilities for the Mentally Retarded (ICF/MR):

<u>Facility</u>	<u>License Number</u>
Crestwood Drive Group Home	090
East Greenwich Group Home	182
Kings Factory Road Group Home	243

The findings and recommendations included herein have been discussed with management and we have considered their comments in the preparation of our report. Section 35-7-4 of the R.I. General Laws requires the director of the department audited to respond in writing within 60 days to all recommendations made by the Bureau of Audits. A copy of your reply should also be sent directly to Robert L. Carl, Jr., Ph.D., Director, Department of Administration; Honorable Gordon D. Fox, Chairman of the House Finance Committee; and to the Honorable Stephen D. Alves, Chairman of the Senate Finance Committee.

We wish to express our appreciation to the officials of the DHS and to the director and staff members of Perspectives Corporation, for their assistance and cooperation during the course of this engagement.

Sincerely,


Stephen M. Cooper, CFE, CGFM
Chief, Bureau of Audits

SMC:pp



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One Capitol Hill
Providence, R.I. 02908-5889
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September 3, 2002

Ms. A. Kathryn Power, Director
Department of Mental Health, Retardation and Hospitals
600 New London Avenue
Cranston, RI 02920

Dear Ms. Power:

We have examined the cost report submitted for Perspectives Corporation, for the following Department of Mental Health, Retardation and Hospitals funded programs for the calendar year 1999:

Programs

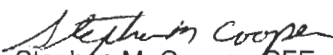
Adult Day Programs
Conversion Waiver Program
Residential Waiver Program
Semi-Independent Residential Programs

The report contained herein represents the consolidation and field audit revision report approved by your department to provide for greater and more timely audit coverage to your providers. This audit is based on the most recent year audited. For settlement purposes this report includes calendar years 1994 through 1998.

The findings and recommendations included herein have been discussed with management and we have considered their comments in the preparation of our report. Section 35-7-4 of the R.I. General Laws requires the director of the department audited to respond in writing within 60 days to all recommendations made by the Bureau of Audits. A copy of your reply should also be sent directly to Robert L. Carl, Jr., Ph.D., Director, Department of Administration; Honorable Gordon D. Fox, Chairman of the House Finance Committee; and to the Honorable Stephen D. Alves, Chairman of the Senate Finance Committee.

We wish to express our appreciation to the officials of the Department of Mental Health, Retardation and Hospitals (MHRH) and to the director and staff members of Perspectives Corporation, for their assistance and cooperation during the course of this engagement.

Sincerely,


Stephen M. Cooper, CFE, CGFM
Chief, Bureau of Audits

SMC:pp

PERSPECTIVES CORPORATION
REPORT ON CONTRACT COMPLIANCE
CALENDAR YEAR 1999

SCOPE AND PURPOSE

The purpose of this engagement was to audit the most current year cost report (1999) submitted by providers for services funded by the Department of Human Services and the Department of Mental Health, Retardation and Hospitals and make settlements for that year and also make settlements for all prior unaudited years. The review of prior unaudited years (1994-1998) was limited to reviewing selected accounts and making adjustments based on risk factors developed through the testing of the current year accounts, the prior field audit, prior year cost reports and sampling.

By funding source the purpose of this audit was to determine:

DHS Programs

- whether expenses were allowable in accordance with the principles of reimbursement.
- through the verification of census records, the total client days used in calculating audited per diem rates.
- any over or under funding on behalf of the Department of Human Services.
- if the clients' clothing funds, and client wages were properly maintained in accordance with the prescribed guidelines.

MHRH Programs

- whether expenses reported per the cost reports were in accordance with the terms and conditions of the contracts.
- whether revenues were reported accurately on the cost reports.
- any over or under funding on behalf of the Department of Mental Health, Retardation and Hospitals.

Our audit of DHS programs was made in accordance with the "Federal Medicare Principles of Reimbursement" issued by the Social Security Administration, Bureau of Health Insurance HIM-15 adopted by the State of Rhode Island with the exclusion of return of net equity and the approved providers' operating budgets.

Additionally, we have audited the Clients' Clothing Account Funds in accordance with the "Principles for Skilled Nursing and Intermediate Care Facilities," and the Clients' Personal Needs Funds in accordance with the "Uniform Accountability Procedures for Title XIX Patient Personal Needs Funds in Skilled Nursing and Intermediate Care Facilities."

Our audit of the financial records included verification of revenues and expenses through testing procedures, which were deemed necessary in the circumstances.

PERSPECTIVES CORPORATION
REPORT ON CONTRACT COMPLIANCE
CALENDAR YEAR 1999

BACKGROUND

Title 40.1-21-4 of the General Laws of the State of Rhode Island authorizes the Director of the Department of Mental Health, Retardation and Hospitals to be responsible for "planning and developing a complete, comprehensive and integrated statewide program for the developmentally disabled." Said programs may include but are not limited to: various type workshop activities, programs to alleviate and ameliorate developmental problems, physical activities, health consultation, and transportation problems.

Perspectives Corporation, located at 1130 Ten Rod Road, North Kingstown, Rhode Island is a for-profit Subchapter S corporation providing residential and day program services to the developmentally disabled. The stockholders, who may exercise all such powers of the corporation and do all such lawful acts, manage the business of the corporation and things as the corporation might do.

On February 1, 1995 the East Greenwich Group Home and August 1, 1996 the Crestwood Drive and Kings Factory Road Group Homes were converted from Intermediate Care Facilities for the mentally retarded to Waiver Funded Residential Facilities for developmentally disabled citizens.



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September 3, 2002

Ms. Jane A. Hayward
Department of Human Services
600 New London Avenue
Cranston, RI 02920

Dear Ms. Hayward:

We have performed the procedures enumerated below, which were agreed to by the Department of Human Services (DHS) and Perspectives Corporation (provider), solely to assist the users in evaluating the provider's assertion about their compliance with DHS's Principles of Reimbursement H.I.M.-15 to the service provider cost reports, Clients' Clothing Account Funds to DHS's Principles for Skilled Nursing and Intermediate Care Facilities and Clients' Personal Needs to DHS's Procedures for Title XIX Patient Personal Needs Funds in Skilled Nursing and Intermediate Care Facilities for the calendar year 1999. Further, to provide for greater and more timely coverage we have applied an agreed-upon strategic plan to calendar years 1994 through 1998 which allows us to review and adjust these prior year cost reports based on current year findings as well as other risk factors. For settlement purposes this report includes those cost reports based on that strategic plan. This agreed-upon procedure engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

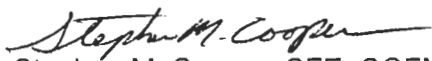
Based on the application of the procedures referred to above, we determined a final rate settlement for the ICF/MR's for the calendar years 1994 through 1999 with provisions of DHS's Principles of Reimbursement H.I.M.-15, and determined ending client fund balances for the calendar years 1994 through 1999 with provisions of DHS's Principles for Skilled Nursing and Intermediate Care Facilities, and Uniform Accountability Procedures for Title XIX Patient Personal Needs Funds in Skilled Nursing and Intermediate Care Facilities. These matters are discussed in the accompanying "Findings and Recommendations" section of this report.

We were not engaged to, and did not perform an examination, the objective of which would be the expression of an opinion of assertion by the provider's management. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

Ms. Jane A. Hayward
Page 2
September 3, 2002

This report is intended solely for the use of DHS and the provider and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Sincerely,


Stephen M. Cooper, CFE, CGFM
Chief, Bureau of Audits
September 29, 2000

SMC:pp



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September 3, 2002

Ms. A. Kathryn Power, Director
Department of Mental Health, Retardation and Hospitals
600 New London Avenue
Cranston, RI 02920

Dear Ms. Power:

We have performed the procedures enumerated below, which were agreed to by the Department of Mental Health, Retardation and Hospitals (MHRH) and Perspectives Corporation, (provider), solely to assist the users in evaluating the provider's assertion about their compliance to the financial terms and conditions contained within the Day Program Service for Developmentally Disabled Citizens contracts during the calendar year 1999. Further, to provide for greater and more timely coverage we have applied an agreed-upon strategic plan to calendar years 1994 through 1998 which allowed us to review and adjust these prior year cost reports based on current year findings as well as other risk factors. For settlement purposes this report includes those cost reports for calendar years 1994 through 1998 based on that strategic plan. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

For purposes of this engagement we made a determination as to the reasonableness of allowable costs based on the "prudent person rule," accuracy of reported activities and if any overall surplus funding was provided by MHRH.

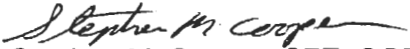
Based on the application of the procedures referred to above, we became aware of an overall surplus by MHRH for the calendars 1994 through 1999 totaling \$210,277 of which \$209,503 is due to MHRH. This, along with other matters pertaining to resident funds and information disclosure on the cost report by the Provider, are discussed in the accompanying "Findings and Recommendations" section of this report.

We were not engaged to, and did not perform an examination, the objective of which would be the expression of an opinion of assertion by the provider's management. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

Ms. A. Kathryn Power, Director
Page 2
September 3, 2002

This report is intended solely for the use of MHRH and the provider and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

Sincerely,



Stephen M. Cooper, CFE, CGFM
Chief, Bureau of Audits
September 29, 2000

SMC:pp

PERSPECTIVES CORPORATION
STATEMENT OF REVENUES AND EXPENSES - TOTAL
CALENDAR YEAR 1999

<u>Account Description</u>	<u>Total</u>	<u>Administrative</u>	<u>Adult Day Program</u>	<u>Conversion Waiver</u>	<u>Waiver Resident Program</u>	<u>Semi- Independent Apartment</u>	<u>EPSDT</u>	<u>School Services</u>	<u>CASP</u>	<u>ORS</u>	<u>Private HODOR</u>	<u>Client Generated</u>	<u>Agency</u>
<u>Revenues</u>													
State of Rhode Island													
Department of MHRH	\$ 13,421,950	-	1,006,742	3,019,539	9,129,177	266,492	-	-	-	-	-	-	-
Dept of Human Services												18,830	-
Room & Board	18,830	-	-	-	-	-	-	-	-	-	-	-	-
Day Program	1,788,401	-	-	-	-	-	1,788,401	-	-	-	-	-	-
Retro Adjustment	2,862	-	-	-	-	-	-	-	-	-	-	-	2,862
Other State Depts.	57,200	-	-	-	-	-	-	-	-	57,200	-	-	-
Social Security Inc	562,468	-	-	-	562,468	-	-	-	-	-	-	-	-
Client Excess Earnings	112,560	-	-	-	112,560	-	-	-	-	-	-	-	-
School Departments	392,708	-	-	-	-	-	-	392,708	-	-	-	-	-
Interest Income	71,534	-	-	-	-	-	-	-	-	-	-	-	71,534
Other													
Miscellaneous	88,010	-	-	272	-	-	-	-	4,638	-	40,761	56,914	(14,575)
PRB Income	43,169	-	-	-	-	-	-	-	-	-	-	-	43,169
Loss on Sale of Invest	(2,661)	-	-	-	-	-	-	-	-	-	-	-	(2,631)
Rental	6,348	-	-	-	6,348	-	-	-	-	-	-	-	-
Total Revenues	\$ 16,563,379	-	1,006,742	3,019,811	9,810,553	266,492	1,788,401	392,708	4,638	57,200	40,761	75,744	100,329
<u>Expenses</u>													
Wages	\$ 10,355,848	778,523	654,542	1,950,350	5,346,518	199,138	1,098,224	216,204	1,280	42,744	25,369	42,956	-
Retirement	586,687	66,166	35,909	108,886	301,246	11,293	49,332	10,476	60	2,122	1,197	-	-
Health Insurance	868,818	68,058	56,477	166,345	447,604	16,618	89,794	18,055	107	3,650	2,110	-	-
Other Fringes	183,304	145,396	1,425	5,443	1,491	354	4,024	732	5	229	260	-	23,945
Physical Therapist	1,480	-	-	1,270	210	-	-	-	-	-	-	-	-
Occup. Therapist	6,468	-	-	173	4,575	20	-	1,700	-	-	-	-	-
Speech Therapist	20,368	-	101	895	19,070	(23)	325	-	-	-	-	-	-
Psychologist	142,392	-	6,127	30,267	95,748	960	9,167	52	-	71	-	-	-
Other	25,116	22,351	-	1,765	-	-	1,000	-	-	-	-	-	-
Office Supplies	88,212	68,803	1,067	4,603	10,874	564	340	74	-	32	8	-	1,847
Telephone	67,459	28,800	3,093	6,916	21,140	686	2,544	684	4	122	92	3,378	-
Travel-Motor Vehicle	62,200	1,764	3,323	9,664	46,077	308	4	3	-	58	-	-	999
Travel-Employees	597,351	12,300	77,964	182,178	180,035	12,205	94,648	28,782	191	5,876	3,172	-	-
Conventions, Meetings	12,269	-	-	307	11,962	-	-	-	-	-	-	-	-
Adv.-Help Wanted	7,324	1,191	633	1,159	3,471	77	629	109	1	28	26	-	-
Organizational Dues	49,514	30,794	-	-	17,895	-	-	-	-	-	-	-	825
Accounting & Auditing	42,141	41,391	-	-	-	-	-	-	-	-	-	-	750
Legal Services	21,178	21,178	-	-	-	-	-	-	-	-	-	-	-
Payroll Taxes	1,047,420	58,004	69,436	204,684	550,757	20,989	113,555	22,697	136	4,542	2,620	-	-
Insurance	118,772	59,674	4,085	12,093	32,581	1,211	6,507	1,365	8	264	153	831	-
Miscellaneous	45,688	6,512	408	527	7,157	-	-	345	-	-	-	4,379	26,360
HCPA-Provider Tax	574,126	-	-	-	574,126	-	-	-	-	-	-	-	-
Real Estate - Personal													
Prop. Taxes	16,570	2,399	217	461	9,089	14	-	-	-	5	-	4,385	-
Rent/Lease of Building	205,336	106,626	10,581	27,730	58,017	551	1,136	189	2	463	41	-	-
Lease of Equipment	6,869	6,869	-	-	-	-	-	-	-	-	-	-	-
Lease of Vehicles	100,636	5,552	1,231	3,832	87,376	-	-	-	-	93	-	-	2,552
Amortization of Leasehold Impr.	4,095	1,707	100	-	2,255	33	-	-	-	-	-	-	-

PERSPECTIVES CORPORATION
STATEMENT OF REVENUES AND EXPENSES - TOTAL
CALENDAR YEAR 1999

<u>Account Description</u>	<u>Total</u>	<u>Administrative</u>	<u>Adult Day Program</u>	<u>Conversion Waiver</u>	<u>Waiver Resident Program</u>	<u>Semi- Independent Apartment</u>	<u>EPSDT</u>	<u>School Services</u>	<u>CASP</u>	<u>ORS</u>	<u>Private HODOR</u>	<u>Client Generated</u>	<u>Agency</u>
Bldg Impr. Depr.	3,191	-	286	473	2,294	-	54	69	-	15	-	-	-
Equipment Depr.	22,585	19,891	216	-	2,475	-	-	-	-	-	3	-	-
Motor Vehicle Depr.	472	-	472	-	-	-	-	-	-	-	-	-	-
Gas	31,631	2,719	1,003	1,746	24,038	61	449	75	1	22	16	1,501	-
Electricity	46,794	4,693	976	2,391	35,943	13	190	32	-	50	7	2,499	-
Water & Sewerage	9,247	-	41	128	8,515	-	-	-	-	3	-	560	-
Plant Supplies	29,899	2,113	2,401	3,850	18,977	11	669	106	1	25	23	1,723	-
Purchased Services & Repairs	84,911	21,672	2,826	7,171	48,198	59	1,824	308	3	185	61	2,604	-
Food & Kitchen Suppl.	237,587	-	-	116	228,786	93	70	981	-	-	-	7,260	281
Linen. Laundry Suppl. & Service	5,770	-	-	-	5,770	-	-	-	-	-	-	-	-
Housekeeping Supplies	57,345	-	-	742	54,035	521	-	-	-	-	-	1,806	241
Pharmacy Supplies	33,304	-	323	2,746	29,770	244	51	6	-	4	-	160	-
Recreational Supplies	64,534	105	4,862	12,065	27,920	668	9,762	6,584	16	332	282	1,353	585
Subtotal	\$ 15,884,911	1,585,251	940,125	2,750,976	8,315,995	266,668	1,484,298	309,628	1,815	60,935	35,440	75,395	58,585
Allocation of Administrative Expenses	-	(1,585,251)	108,431	322,757	884,889	32,973	181,825	35,827	159	7,134	4,122	7,134	-
Total Expenses	\$ 15,884,911	-	1,048,556	3,073,733	9,200,884	299,641	1,666,123	345,455	1,974	68,069	39,562	82,529	58,385
Net Excess (Deficiency) of Revenue Over Expenses	\$ 678,468	-	(41,814)	(53,922)	609,669	(33,149)	122,278	47,253	2,664	(10,869)	1,199	(6,785)	41,944

See accompanying notes to financial information.

PERSPECTIVES CORPORATION
STATEMENT OF REVENUES AND EXPENSES - ADULT DAY PROGRAMS
CALENDAR YEAR 1999

<u>Account Description</u>	<u>Total Adult Day Programs</u>	<u>Behavior Skills</u>	<u>EDS 6</u>	<u>EDS 7</u>	<u>EDS 8</u>	<u>EDS 9</u>
<u>Revenues</u>						
State of Rhode Island Department of MHRH	\$ 1,006,742	344,195	18,816	120,497	244,327	278,907
Total Revenues	<u>1,006,742</u>	<u>344,195</u>	<u>18,816</u>	<u>120,497</u>	<u>244,327</u>	<u>278,907</u>
<u>Expenses</u>						
Wages	\$ 654,542	204,869	14,602	94,985	158,066	182,020
Retirement	35,909	11,740	798	5,584	8,678	9,109
Health Insurance	56,477	17,398	1,244	8,476	13,450	15,909
Other Fringes	1,425	449	27	209	283	457
Speech Therapist	101	101	-	-	-	-
Psychologist	6,127	4,869	19	110	135	994
Office Supplies	1,067	501	3	222	101	240
Telephone	3,093	1,435	50	543	544	521
Travel-Motor Vehicle	3,323	2,242	1	223	162	695
Travel-Employees	77,964	22,085	2,262	9,897	24,434	19,286
Adv.-Help Wanted	633	138	10	274	115	96
Payroll Taxes	69,436	21,288	1,550	10,464	16,761	19,373
Insurance	4,085	1,267	90	613	976	1,139
Miscellaneous	408	102	-	301	-	5
Real Estate - Personal Prop. Taxes	217	127		52		38
Rent/Lease of Building	10,581	6,648	17	1,249	169	2,498
Lease of Vehicles	1,231	580	-	267	-	384
Amortization of Leasehold Improv.	100	42	-	20	-	38
Building Impr. Depr.	286	61	-	30	53	142
Equipment Depreciation	216	89	1	37	23	66
Motor Vehicle Depr.	472	199	-	94	-	179
Gas	1,003	759	3	34	23	184
Electricity	976	572	3	131	28	242
Water & Sewerage	41	19	-	9	-	13

PERSPECTIVES CORPORATION
STATEMENT OF REVENUES AND EXPENSES - ADULT DAY PROGRAMS
CALENDAR YEAR 1999

<u>Account Description</u>	<u>Total Adult Day Programs</u>	<u>Behavior Skills</u>	<u>EDS 6</u>	<u>EDS 7</u>	<u>EDS 8</u>	<u>EDS 9</u>
<u>Expenses - Cont'd</u>						
Plant Supplies	2,401	1,864	10	35	115	377
Purchased Services & Repairs	2,826	1,405	13	443	160	805
Pharmacy Supplies	323	107	-	149	19	48
Recreational Supplies	<u>4,862</u>	<u>1,528</u>	<u>66</u>	<u>1,440</u>	<u>683</u>	<u>1,145</u>
Subtotal	940,125	302,484	20,769	135,891	224,978	256,003
Allocation of Administrative Expenses	<u>108,431</u>	<u>33,924</u>	<u>2,378</u>	<u>15,694</u>	<u>26,157</u>	<u>30,278</u>
Total Expenses	<u>\$ 1,048,556</u>	<u>336,408</u>	<u>23,147</u>	<u>151,585</u>	<u>251,135</u>	<u>286,281</u>

See accompanying notes to financial information.

SP-40b

PERSPECTIVES CORPORATION
STATEMENT OF REVENUES AND EXPENSES - RESIDENTIAL WAIVER PROGRAM
CALENDAR YEAR 1999

Account Description	TOTAL WAIVER PROGRAM			RODMAN STREET		FIORE DRIVE		KENYON AVENUE		HERITAGE VILLAGE	
	Combined	State	Client	State	Client	State	Client	State	Client	State	Client
Revenues											
State of Rhode Island											
Department of MHRH	\$ 9,129,177	9,129,177	-	656,640	-	667,657	-	683,053	-	791,914	-
Social Security Income	562,468	-	562,468	-	41,089	-	43,402	-	46,387	-	39,695
Clients Excess Earnings	112,560	112,560	-	36,153	-	3,922	-	3,377	-	13,637	-
Rental	6,348	-	6,348	-	6,348	-	-	-	-	-	-
Total Revenues	\$ 9,810,553	9,241,737	568,816	692,793	47,437	671,579	43,402	686,430	46,387	805,551	39,695
Expenses											
Wages	\$ 5,346,518	5,346,518	-	210,806	-	229,401	-	255,750	-	206,191	-
Retirement	301,246	301,246	-	13,279	-	18,147	-	15,333	-	12,410	-
Health Insurance	447,604	447,604	-	17,455	-	19,326	-	21,255	-	17,103	-
Other Fringes	1,491	1,491	-	84	-	84	-	84	-	84	-
Physical Therapist	210	210	-	-	-	-	-	-	-	-	-
Occupational Therapist	4,575	4,575	-	100	-	-	-	-	-	-	-
Speech Therapist	19,070	19,070	-	-	-	-	-	3,099	-	-	-
Psychologist	95,748	95,748	-	3,392	-	86	-	2,568	-	645	-
Office Supplies	10,874	10,874	-	393	-	528	-	736	-	430	-
Telephone	21,140	21,140	-	680	-	856	-	823	-	1,209	-
Travel-Motor Vehicle	46,077	46,077	-	1,891	-	2,438	-	3,209	-	6,662	-
Travel-Employees	180,035	180,035	-	8,630	-	3,489	-	5,491	-	6,050	-
Conventions, Meetings	11,962	11,962	-	314	-	195	-	477	-	919	-
Adv.-Help Wanted	3,471	3,471	-	233	-	257	-	257	-	190	-
Organizational Dues	17,895	17,895	-	1,407	-	1,432	-	1,407	-	1,615	-
Payroll Taxes	550,757	550,757	-	22,358	-	23,935	-	27,060	-	20,827	-
Insurance	32,581	32,581	-	1,271	-	1,417	-	1,552	-	1,248	-
Miscellaneous	7,157	7,157	-	-	-	262	-	446	-	115	-
HCPA-Provider Tax	574,126	574,126	-	44,073	-	43,989	-	43,018	-	49,169	-
Real Estate -											
Personal Prop. Taxes	9,089	9,089	-	307	-	306	-	286	-	320	-
Rent/Lease of Building	58,017	-	58,017	-	-	-	-	-	-	-	19,442
Lease of Vehicles	87,376	87,376	-	6,332	-	6,111	-	6,324	-	5,835	-
Amortization of Leashold											
Improv.	2,255	-	2,255	-	254	-	166	-	82	-	-
Building Impr Depr.	2,294	-	2,294	-	-	-	-	-	-	-	-
Equipment Depreciation	2,475	-	2,475	-	278	-	305	-	45	-	-
Gas	24,038	-	24,038	-	1,625	-	528	-	2,722	-	-
Electricity	35,943	-	35,943	-	2,548	-	2,741	-	3,127	-	-

PERSPECTIVES CORPORATION
STATEMENT OF REVENUES AND EXPENSES - RESIDENTIAL WAIVER PROGRAM
CALENDAR YEAR 1999

Account Description	TOTAL WAIVER PROGRAM			RODMAN STREET		FIORE DRIVE		KENYON AVENUE		HERITAGE VILLAGE	
	Combined	State	Client	State	Client	State	Client	State	Client	State	Client
Water & Sewerage	8,515	-	8,515	-	1,611	-	619	-	1,253	-	-
Plant Supplies	18,977	-	18,977	-	997	-	941	-	2,092	-	434
Purchased Services & Repairs	48,198	-	48,198	-	2,504	-	1,725	-	3,110	-	868
Food & Kitchen Supplies	228,786	-	228,786	-	14,379	-	15,642	-	14,376	-	16,751
Linen, Laundry Supplies & Service	5,770	-	5,770	-	196	-	535	-	302	-	2,300
Housekeeping Supplies	54,035	-	54,035	-	1,351	-	2,690	-	3,407	-	2,432
Pharmacy Supplies	29,770	-	29,770	-	1,112	-	724	-	2,440	-	1,082
Recreational Supplies	27,920	-	27,920	-	1,515	-	5,012	-	2,611	-	2,503
Subtotal	\$ 8,315,995	7,769,002	546,993	333,005	28,370	352,259	31,628	389,175	35,567	331,022	45,812
Allocation of Administrative Expenses	884,889	884,889	-	34,876	-	38,046	-	42,326	-	34,083	-
Total Expenses	9,200,884	8,653,891	546,993	367,881	28,370	390,305	31,628	431,501	35,567	365,105	45,812
Excess (Deficiency) of Revenues Over Expenses	\$ 609,669	587,846	21,823	324,912	19,067	281,274	11,774	254,929	10,820	440,446	(6,117)

See accompanying notes to financial information.

STATEMENT OF REVENUES AND EXPENSES - RESIDENTIAL WAIVER PROGRAM - CONT'D

Account Description	MOCKINGBIRD		EAST GREENWICH		COSMO STREET		KINGSTOWN RD		LANGWORTHY		WESTERLY	
	State	Client	State	Client	State	Client	State	Client	State	Client	State	Client
Revenues												
State of Rhode Island												
Department of MHRH	\$ 336,752	-	363,407	-	544,657	-	272,421	-	629,729	-	709,698	-
Social Security Income	-	21,771	-	24,885	-	31,005	-	16,306	-	39,085	-	42,425
Client Excess Earnings	-	-	626	-	2,140	-	978	-	4,224	-	7,469	-
Total Revenues	\$ 336,752	21,771	364,033	24,885	546,797	31,005	273,399	16,306	633,953	39,085	717,167	42,425
Expenses												
Wages	\$ 304,580	-	558,990	-	355,571	-	177,922	-	176,988	-	251,579	-
Retirement	13,436	-	33,334	-	19,082	-	8,084	-	9,132	-	17,139	-
Health Insurance	25,490	-	47,015	-	29,809	-	14,941	-	14,521	-	21,273	-
Other Fringes	35	-	84	-	84	-	-	-	84	-	84	-
Physical Therapist	-	-	-	-	210	-	-	-	-	-	-	-
Occupational Therapist	-	-	-	-	725	-	925	-	-	-	950	-
Speech Therapist	429	-	2,805	-	2,297	-	2,333	-	-	-	-	-
Psychologist	3,026	-	25,626	-	1,661	-	6,689	-	3,110	-	7,885	-
Office Supplies	393	-	1,022	-	1,183	-	57	-	740	-	1,407	-
Telephone	818	-	1,793	-	1,109	-	1,097	-	956	-	1,297	-
Travel-Motor Vehicle	1,333	-	4,887	-	-	-	-	-	2,293	-	4,405	-
Travel-Employees	2,294	-	10,369	-	15,989	-	17,130	-	6,360	-	9,110	-
Conventions, Meetings	249	-	1,359	-	581	-	983	-	-	-	769	-
Adv.-Help Wanted	251	-	254	-	257	-	-	-	257	-	257	-
Organizational Dues	731	-	704	-	1,055	-	528	-	704	-	1,407	-
Payroll Taxes	31,852	-	57,702	-	36,238	-	18,539	-	18,524	-	25,783	-
Insurance	1,863	-	3,432	-	2,171	-	1,086	-	1,061	-	1,540	-
Miscellaneous	5	-	788	-	175	-	97	-	-	-	2,914	-
HCPA-Provider Tax	22,374	-	16,067	-	34,519	-	17,589	-	40,132	-	44,692	-
Real Estate -												
Personal Prop. Taxes	345	-	37	-	-	-	-	-	346	-	412	-
Rent/Lease of Building	-	-	-	-	-	-	-	10,975	-	-	-	-
Lease of Vehicles	6,341	-	4,647	-	-	-	-	-	6,530	-	6,458	-
Amortization of												
Leasehold Improv.	-	77	-	687	-	-	-	-	-	-	-	50
Building Impr Depr.	-	-	-	209	-	-	-	-	-	-	-	-
Equipment Depreciation	-	-	-	51	-	-	-	-	-	273	-	150
Gas	-	920	-	2,046	-	1,874	-	1,738	-	833	-	1,588
Electricity	-	1,472	-	2,383	-	3,014	-	902	-	2,200	-	2,796
Water & Sewerage	-	268	-	670	-	1,070	-	95	-	932	-	881
Plant Supplies	-	794	-	4,244	-	400	-	82	-	687	-	1,039
Purchased Services	-	-	-	-	-	-	-	-	-	-	-	-
& Repairs	-	3,707	-	2,770	-	2,928	-	467	-	2,768	-	4,530
Food & Kitchen Supplies	-	6,407	-	16,985	-	15,194	-	4,935	-	11,667	-	16,887
Linen, Laundry Supplies	-	-	-	-	-	-	-	-	-	-	-	-
& Service	-	-	-	277	-	31	-	-	-	77	-	841

STATEMENT OF REVENUES AND EXPENSES - RESIDENTIAL WAIVER PROGRAM - CONT'D

<u>Account Description</u>	MOCKINGBIRD		EAST GREENWICH		COSMO STREET		KINGSTOWN RD		LANGWORTHY		WESTERLY	
	<u>State</u>	<u>Client</u>	<u>State</u>	<u>Client</u>	<u>State</u>	<u>Client</u>	<u>State</u>	<u>Client</u>	<u>State</u>	<u>Client</u>	<u>State</u>	<u>Client</u>
Expenses - Cont'd												
Housekeeping Supplies	-	1,853	-	4,599	-	4,604	-	343	-	1,635	-	1,836
Pharmacy Supplies	-	1,192	-	1,230	-	3,976	-	702	-	750	-	2,312
Recreational Supplies	-	1,084	-	960	-	961	-	84	-	1,310	-	2,461
Subtotal	\$ 415,845	17,774	770,915	37,111	502,716	34,052	268,000	20,323	281,738	23,132	399,361	35,371
Allocation of												
Administrative Expenses	50,411	-	92,579	-	58,813	-	29,486	-	29,327	-	41,692	-
Total Expenses	\$ 466,256	17,774	863,494	37,111	561,529	34,052	297,486	20,323	311,065	23,132	441,053	35,371
Excess (Deficiency) of												
Revenues Over Expenses	\$ (129,504)	3,997	(499,461)	(12,226)	(14,732)	(3,047)	(24,087)	(4,017)	322,888	15,953	276,114	7,054

See accompanying notes to financial information.

STATEMENT OF REVENUES AND EXPENSES - RESIDENTIAL WAIVER PROGRAM - CONT'D

Account Description	LONSDALE		CIRCLE DRIVE		GRAYSON		ARCADIA		TOWER STREET	
	State	Client	State	Client	State	Client	State	Client	State	Client
<u>Revenues</u>										
State of Rhode Island										
Department of MHRH	\$ 359,811	-	626,235	-	268,667	-	433,373	-	448,686	-
Social Security Income	-	20,318	-	39,545	-	17,772	-	30,182	-	28,525
Clients Excess Earnings	4,720	-	8,407	-	-	-	3,686	-	-	-
Total Revenues	\$ 364,531	20,318	634,642	39,545	268,667	17,772	437,059	30,182	448,686	28,525
<u>Expenses</u>										
Wages	\$ 315,474	-	312,113	-	149,296	-	396,909	-	181,472	-
Retirement	14,965	-	16,512	-	9,667	-	20,849	-	12,911	-
Health Insurance	26,526	-	26,089	-	12,520	-	33,603	-	15,216	-
Other Fringes	84	-	91	-	84	-	84	-	84	-
Occupational Therapist	-	-	800	-	-	-	300	-	-	-
Speech Therapist	429	-	802	-	2,792	-	-	-	-	-
Psychologist	6,503	-	435	-	-	-	2,376	-	8,501	-
Office Supplies	269	-	340	-	65	-	762	-	753	-
Telephone	1,958	-	783	-	914	-	1,659	-	890	-
Travel-Motor Vehicle	2,596	-	2,431	-	-	-	4,816	-	35	-
Travel-Employees	12,569	-	4,477	-	4,396	-	6,807	-	14,942	-
Conventions, Meetings	670	-	976	-	-	-	846	-	304	-
Adv.-Help Wanted	-	-	253	-	-	-	229	-	233	-
Organizational Dues	704	-	1,228	-	573	-	880	-	880	-
Payroll Taxes	31,463	-	32,434	-	14,912	-	40,702	-	18,844	-
Insurance	1,936	-	1,895	-	909	-	2,417	-	1,110	-
Miscellaneous	301	-	31	-	40	-	-	-	13	-
HCPA-Provider Tax	23,558	-	39,987	-	17,330	-	27,617	-	28,081	-
Real Estate -										
Personal Prop. Taxes	439	-	275	-	-	-	257	-	-	-
Rent/Lease of Building	-	16,800	-	-	-	10,800	-	-	-	-
Lease of Vehicles	6,000	-	6,580	-	-	-	9,866	-	-	-
Amortization of										
Leasehold Improv.	-	372	-	-	-	-	-	68	-	449
Equipment Depreciation	-	43	-	119	-	-	-	65	-	-
Gas	-	-	-	1,514	-	900	-	2,474	-	1,045
Electricity	-	1,448	-	2,473	-	806	-	2,703	-	1,278
Water & Sewerage	-	-	-	571	-	-	-	-	-	545
Plant Supplies	-	225	-	2,059	-	2	-	884	-	629
Purchased Services										
& Repairs	-	271	-	2,140	-	275	-	3,961	-	1,909

STATEMENT OF REVENUES AND EXPENSES - RESIDENTIAL WAIVER PROGRAM - CONT'D

<u>Account Description</u>	LONSDALE		CIRCLE DRIVE		GRAYSON		ARCADIA		TOWER STREET	
	<u>State</u>	<u>Client</u>	<u>State</u>	<u>Client</u>	<u>State</u>	<u>Client</u>	<u>State</u>	<u>Client</u>	<u>State</u>	<u>Client</u>
<u>Expenses - Cont'd</u>										
Food & Kitchen Supplies	-	10,353	-	15,414	-	5,555	-	12,236	-	12,097
Linen, Laundry Supplies & Service	-	119	-	62	-	-	-	293	-	136
Housekeeping Supplies	-	1,457	-	3,890	-	762	-	5,353	-	3,254
Pharmacy Supplies	-	501	-	3,054	-	247	-	2,142	-	199
Recreational Supplies	-	988	-	1,318	-	759	-	2,061	-	1,646
Subtotal	\$ 446,444	32,577	448,532	32,614	213,498	20,106	550,979	32,240	284,269	23,187
Allocation of Administrative Expenses	<u>52,155</u>	<u>-</u>	<u>51,679</u>	<u>-</u>	<u>24,730</u>	<u>-</u>	<u>65,629</u>	<u>-</u>	<u>29,961</u>	<u>-</u>
Total Expenses	\$ <u>498,599</u>	<u>32,577</u>	<u>500,211</u>	<u>32,614</u>	<u>238,228</u>	<u>20,106</u>	<u>616,608</u>	<u>32,240</u>	<u>314,230</u>	<u>23,187</u>
Excess (Deficiency) of Revenues Over Expenses	\$ <u>(134,068)</u>	<u>(12,259)</u>	<u>134,431</u>	<u>6,931</u>	<u>30,439</u>	<u>(2,334)</u>	<u>(179,549)</u>	<u>(2,058)</u>	<u>134,456</u>	<u>5,338</u>

See accompanying notes to financial information.

STATEMENT OF REVENUES AND EXPENSES - RESIDENTIAL WAIVER PROGRAM - CONT'D

Account Description	KINGS FACTORY RD		WHIPPLE DRIVE		CRESTWOOD DRIVE		RICHMOND	
	State	Client	State	Client	State	Client	State	Client
<u>Revenues</u>								
State of Rhode Island								
Department of MHRH	\$ 450,545	-	260,295	-	363,513	-	262,124	-
Social Security Income	-	29,693	-	9,823	-	23,610	-	16,950
Clients Excess Earnings	4,112	-	11,613	-	1,018	-	6,478	-
Total Revenues	<u>\$ 454,657</u>	<u>29,693</u>	<u>271,908</u>	<u>9,823</u>	<u>364,531</u>	<u>23,610</u>	<u>268,602</u>	<u>16,950</u>
<u>Expenses</u>								
Wages	406,513	-	199,878	-	349,953	-	307,132	-
Retirement	24,488	-	9,653	-	19,740	-	13,085	-
Health Insurance	34,054	-	16,628	-	29,256	-	25,524	-
Other Fringes	84	-	63	-	91	-	119	-
Occupational Therapist	-	-	-	-	775	-	-	-
Speech Therapist	2,809	-	-	-	-	-	1,275	-
Psychologist	960	-	10,515	-	3,385	-	8,385	-
Office Supplies	659	-	140	-	312	-	685	-
Telephone	1,038	-	985	-	1,148	-	1,127	-
Travel-Motor Vehicle	1,674	-	-	-	3,672	-	3,735	-
Travel-Employees	15,154	-	10,909	-	12,247	-	13,622	-
Conventions, Meetings	1,077	-	261	-	966	-	1,016	-
Adv.-Help Wanted	254	-	-	-	252	-	37	-
Organizational Dues	880	-	528	-	704	-	528	-
Payroll Taxes	41,196	-	21,117	-	35,566	-	31,705	-
Insurance	2,476	-	1,218	-	2,123	-	1,856	-
Miscellaneous	598	-	-	-	1,205	-	167	-
HCPA-Provider Tax	29,708	-	18,503	-	15,971	-	17,749	-
Real Estate -								
Personal Prop. Taxes	245	-	1,029	-	326	-	4,159	-
Lease of Vehicles	3,265	-	-	-	6,548	-	6,539	-
Amortization of								
Leasehold Improv.	-	-	-	-	-	50	-	-
Building Impr Depr.	-	-	-	120	-	-	-	1,965
Equipment Depreciation	-	767	-	-	-	274	-	105
Gas	-	1,068	-	599	-	1,437	-	1,127
Electricity	-	2,535	-	1,881	-	-	-	1,636
Plant Supplies	-	1,291	-	73	-	581	-	1,523

STATEMENT OF REVENUES AND EXPENSES - RESIDENTIAL WAIVER PROGRAM - CONT'D

<u>Account Description</u>	KINGS FACTORY RD		WHIPPLE DRIVE		CRESTWOOD DRIVE		RICHMOND	
	<u>State</u>	<u>Client</u>	<u>State</u>	<u>Client</u>	<u>State</u>	<u>Client</u>	<u>State</u>	<u>Client</u>
<u>Expenses - Cont'd</u>								
Purchased Services								
& Repairs	-	4,127	-	2,152	-	4,341	-	3,645
Food & Kitchen Supplies	-	12,187	-	5,560	-	14,039	-	8,122
Linen, Laundry Supplies								
& Service	-	406	-	-	-	195	-	-
Housekeeping Supplies	-	5,282	-	1,217	-	5,497	-	2,573
Pharmacy Supplies	-	3,195	-	838	-	2,396	-	1,678
Recreational Supplies	-	809	-	502	-	668	-	668
Subtotal	\$ 567,132	31,667	291,427	12,942	484,240	29,478	438,445	23,042
Allocation of Administrative Expenses	67,215	-	33,132	-	57,862	-	50,887	-
Total Expenses	\$ 634,347	31,667	324,559	12,942	542,102	29,478	489,332	23,042
Excess (Deficiency) of Revenues Over Expenses	\$ <u>(179,690)</u>	<u>(1,974)</u>	<u>(52,651)</u>	<u>(3,119)</u>	<u>(177,571)</u>	<u>(5,868)</u>	<u>(220,730)</u>	<u>(6,092)</u>

See accompanying notes to financial information.

PERSPECTIVES CORPORATION
REPORT ON CONTRACT COMPLIANCE
CALENDAR YEAR 1999

NOTES TO FINANCIAL INFORMATION

Note 1 – Significant Accounting Policies

Basis of Accounting

The financial statements are presented on the accrual basis of accounting, which is in compliance with MHRH's "Prudent Person Rule" and DHS's Principles of Reimbursement HIM-15. Under this basis, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.

Depreciation

Depreciation costs are based on the straight-line method, which is in compliance with MHRH's "Prudent Person Rule" and DHS's Principles of Reimbursement HIM-15.

Note 2 – Excess (Deficiency) of Revenue Over Expenses

The State's method of reimbursement for ICF/MR facilities is based on solely on audited expenses and, therefore, does not take into account the excess or deficiency of revenue over expenses.

PERSPECTIVES CORPORATION
REPORT ON CONTRACT COMPLIANCE
CALENDAR YEAR 1999

STATUS OF PRIOR AUDIT RECOMMENDATIONS –
CALENDAR YEARS 1988-1993

Recommendations for MHRH – Perspectives Corporation

1. The amount of \$108,590 should be recovered from Perspectives Corporation by the Department of MHRH as excess funding, or reprogrammed by the provider upon written agreement with MHRH in accordance with the applicable contract provisions.

Implemented.

2. The amount of \$1,152.41 should be recovered from Perspectives Corporation, by the Department of MHRH, in accordance with current funding policies.

Implemented.

3. The amount of \$3,101 should be recovered from Perspectives Corporation by the Department of MHRH as excess funding in 1987 or reprogrammed by the provider upon written agreement with MHRH in accordance with the applicable contract provisions.

Implemented.

Recommendations for MHRH –Alternatives, Inc.

1. The amount of \$16,066 should be recovered from Alternatives, Inc., by the Department of MHRH as excess funding in our prior audit or reprogrammed by the provider upon written agreement with MHRH in accordance with the applicable contract provisions.

Implemented.

Recommendations for DHS – Alternatives, Inc.

2. The Department of Human Services, in accordance with its current funding policy, should recover the amount of \$3,899.70 in excess day rates from Alternatives, Inc.

Implemented.

3. DHS should ensure the provider meets the requirement to keep the amounts of petty cash for personal needs below \$50 for each resident.

Implemented.

PERSPECTIVES CORPORATION
REPORT ON CONTRACT COMPLIANCE
CALENDAR YEAR 1999

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

DHS Programs

Amounts Due To (From) DHS

As a result of our examination, it has been determined that a net amount of \$10,323 is due to the Department of Human Services from Perspectives Corporation and is summarized as follows:

Prior Years

ICF/MR Per Diem Rates	10,323
Day Rates	-
Payment Adjustments	<u>-</u>
Total Due To/(From) DHS	\$ <u>10,323</u>

The above settlement by facility is as follows:

<u>Facility</u>	<u>Total</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
East Greenwich	\$ 2,409	-	247	2,162
Kings Factory	4,678	903	1,705	2,070
Crestwood	<u>3,236</u>	<u>642</u>	<u>1,029</u>	<u>1,565</u>
Total Due to DHS	\$ <u>10,323</u>	<u>1,545</u>	<u>2,981</u>	<u>5,797</u>

Recommendation

1. The Department of Human Services in accordance with its current funding policy should recover the amount of \$ 10,323 from Perspectives Corporation.

MHRH Programs

Determination of Excess Funding

The Department of MHRH and the Providers have agreed "that in each particular contract year, any surplus incurred by the Provider in operating one or more of its programs, wherein funding for same is received by the Department of Mental Health, Retardation and Hospitals and/or the Department of Human Services, shall be used/can be used by the Provider to offset any losses incurred by the Provider in one or more of the programs above-referred." Any net surpluses by each particular contract year incurred by the Provider "shall be returned to the State of Rhode Island in such manner as it may prescribe, or shall be used by the Provider in a manner which has been approved by written agreement with the State of Rhode Island." This policy is applicable to all MHRH contracts beginning with calendar year 1986.

As a result of our audit it has been determined that there are excess funds in the amount of \$210,277 based upon the aforementioned policy and the individual contract requirements. The following is a summary of the individual program excesses or deficits and combined results for each year.

	Net Excess	Conversion Waiver Program	Waiver Program	Day Program	Semi- Independent
1999	\$ 25,994	(54,194)	155,151	(41,814)	(33,149)
1996	101,067	67,746	24,242	18,428	(9,349)
1995	51,960	15,205	-	37,356	(601)
1994	31,256	2,458	-	11,067	17,731
Total	\$ 210,277	31,215	179,393	25,037	(25,368)

	Net Deficit	Conversion Waiver Program	Waiver Program	Day Program	Semi- Independent
1998	\$ (75,426)	(67,719)	79,615	(75,720)	(11,602)
1997	(30,465)	(7,202)	-	1,621	(24,884)
Total	\$ (105,891)	(75,921)	79,615	(74,099)	(36,486)

An effort through your department's Division of Developmental Disabilities to finalize all prior years' outstanding excess funding against program endeavors by Perspectives Corporation (Provider) has produced a net excess balance still due to the Provider of \$774. This amount should be applied against the current net excess of \$210,277, leaving a net settlement due to MHRH of \$209,503.

Recommendation

2. The amount of \$209,503 should be recovered from Perspectives Corporation by the Department of MHRH as excess funding or be reprogrammed by the Provider upon written agreement with MHRH in accordance with the applicable contract provisions and policy.

Details pertaining to this settlement are as follows:

Waiver Residential Program

The Waiver contract for the fiscal year ended June 30, 1999 stated that "if the audit or calendar year cost report reveals total payment to the Provider under the Agreement is greater than one hundred five (105%) percent of total allowable cost for the above specified programs covered by this agreement the parties agree that the excess funding over one hundred five (105%) percent will be returned to the Department by the Provider." This provision was also in the contracts for 1994 through 1998.

Period		Total MHRH Payments to Provider	105% of Allowable Expenses	Amount Due To MHRH
1999	\$	9,241,737	9,086,586	155,151
Prior Years				
1998		8,481,013	8,401,398	79,615
1997		7,325,180	7,425,351	-
1996		5,792,284	5,768,042	24,242
1995		4,488,485	4,524,069	-
1994		3,163,097	3,215,247	-

Resident Personal Needs Funds

Our audit disclosed that Perspectives Corporation (Provider) did not maintain ledgers for client personal needs funds in accordance with the Department of Human Service's *Procedures for Title XIX Patient Personal Needs Funds in Skilled Nursing and Intermediate Care Facilities* as adopted by MHRH. Addendum III, Section K of the Waiver Residential Program contract states that "unless the parties otherwise agree to a different provision regarding a resident's earned income, resident income shall be treated in accordance with RI/DHS regulations relating thereto." These regulations require the provider to maintain an accurate accounting of all receipts and disbursement. In July 2001, the Provider instituted new procedures to ensure compliance over accountability of personal needs funds to the above-mentioned regulations.

Our audit further revealed a discrepancy in the amount of personal needs funds paid monthly to each resident. Officials within MHRH have stated that residents should have received \$50 per month for personal needs. The Provider's records indicate they were paying \$40 per month per resident during the period under review, and further state they have no written knowledge requiring other than to disburse \$40 per month per resident.

Recommendations

3. MHRH should ensure that Perspectives Corporation maintains residents' personal needs funds in accordance with RI/DHS regulations as required by the contract.
4. MHRH needs to resolve the discrepancy with Perspectives Corporation between what the department states is the correct amount each resident earns and the amount that the Provider is actually disbursing.

Cost Report Preparation

The 1999 Service Provider Cost Report defined and required related party transaction disclosure. During our review we found that the provider did not report transactions in 1999 that were made with related parties as defined in the cost report. We also noted a change in the provider's organizational structure during the period of our review. While this information is not required to be included in the cost report, it could be useful to MHRH in its monitoring and decision making processes.

Recommendations

5. MHRH should work with the provider to ensure that all related party transactions are fully reported.
6. MHRH should consider revisions to the cost report format to increase the information reported in the area of organizational structure and changes. This could include identifying the type of business entity and profit not-for profit status.